

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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E.O. 11652: N/A

TAGS: ECON, EEWT, UR, US

SUBJECT: SLOWED NEGOTIATIONS ON HOTEL CONSTRUCTION

REF: MOSCOW 6644, MOSCOW 1338, 75 MOSOW 8884,

1. IN TYPICAL SWEEPING UNDERGENERALIZATION, APRIL 27 PRAVDA ARTICLE ON BASKET THREE (SEE REF A) CLAIMS "BECAUSE OF DISCRIMINATORY LAWS IN EFFECT IN U.S., DISCUSSION WITH AMERICAN FIRMS ABOUT CONSTRUCTION OF HOTELS IN USSR HAVE SLOWED (ZATORMOZILIS)". THIS SMUG FORMULATION MAY RELECT OFFICIAL SOVIET ATTITUDES, BUT IT IGNORES PRINCIPAL CAUSE OF PAST IMPASSES: REFUSAL OF SOVIETS TO PERMIT U.S. FIRMS ANY EFFECTIVE ROLE IN OPERATION OF HOTELS AFTER COMPLETION VERSUS DISINTEREST IN TURNKEY PROJECTS OF MOST OF THOSE U.S. FIRMS SOVIETS HAVE BEEN DEALING WITH.

2. WHILE ABSENCE OF GOVERNMENT-BACKED EXPORT FINANCING MAY BE HOLDING UP TOWER INTERNATIONAL'S NEGOTIATION (PARA 4, REF B), EXTENSIVE AND DRAWN-OUT DISCUSSIONS BETWEEN INTER CONTINENTAL, HOLIDAYINNS AND OTHER U.S.-BASED HOTEL CHAINS GROUND TO HALT ONLY AFTER CHAIRMAN NIKITIN OF STATE COMMITTEE FOR TOURISM EXPLICITLY EXCLUDED ANY MANAGEMENT ROLE FOR FOREIGN HOTEL COMPANIES IN ARTICLE PUBLISHED JUNE 1975 IN LITERATURNAYA GAZETA (REFC).

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3. COMMENT: THUS FAR, EVEN THOSE INTOURIST OFFICIALS MOST DIRECTLY ENGAGED IN DISCUSSIONS WITH FOREIGN FIRMS HAVE CHOSEN NOT TO RECOGNIZE THAT THEY AND MAJORITY OF PROSPECTIVE AMERICAN PARTNERS WERE TALKING PAST EACH OTHER - SOVIETS ASSUMING COMPANIES WOULD NOT HAVE ENTERED NEGOTIATIONS UNLESS THEY WISHED FIRST OF ALL TO BUILD AND EQUIP HOTELS,AND U.S. HOTEL FIRMS ASSUMING THAT SINCE THEY ARE NOT IN CONSTRUCTION BUSINESS, SOVIETS WOULD NOT HAVE LED THEM ON UNLESS SOME CONTINUING MANAGEMENT ASSOCIATION WERE POSSIBLE.
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